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STATE DOCUMENTS

ANNUAL REPORT
OF THE
PUBLIC EMPLOYEES' RETIREMENT DIVISION
OF
THE DEPARTMENT OF ADMINISTRATION

NOV 8 1974



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TO THE
GOVERNOR OF MONTANA
HONORABLE THOMAS L. JUDGE

PLEASE RETURN

FOR THE
FISCAL YEAR ENDED
JUNE 30, 1974

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BOARD OF ADMINISTRATION

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STATE OF MONTANA
THOMAS L. JUDGE, GOVERNOR**DEPARTMENT OF ADMINISTRATION**
PUBLIC EMPLOYEES' RETIREMENT DIVISION

1712 NINTH AVENUE
TELEPHONE: AREA CODE 406/449-3154
HELENA, MONTANA 59601

October 10, 1974

Honorable Thomas L. Judge
Governor of Montana
State Capitol
Helena, Montana 59601

Dear Governor Judge:

In accordance with Section 82-4002, R.C.M. 1947, I herewith submit to you the annual report of the Public Employees' Retirement Division of the Department of Administration for the 1973-74 fiscal year.

The major accomplishments of the Division during the year are summarized as follows:

Initiated the development of a complete computerization of operations.

Participated in the legislative interim study of state and local retirement systems.

Conducted a series of informational meetings concerning Sheriffs' Retirement System.

Increased the investment earnings on social security contributions.

Consolidated all budget programming for the administrative costs of all benefit programs.

Respectfully submitted,

Lawrence P. Nachtsheim
Lawrence P. Nachtsheim
Administrator

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PRINCIPAL OFFICES AND OFFICERS

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

OFFICER TERM OF OFFICE	HOME ADDRESS
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BOARD OF ADMINISTRATION

Kevin J. Shannon, President 1973 - 1976	832 Park Avenue Butte, Montana
William N. Cocales, Vice President 1971 - 1978	12 Hill Street Bozeman, Montana
Fred E. Barrett 1974 - 1979	1828 Broadway Helena, Montana
Fred L. Hill 1972 - 1977	1100 5th Avenue N. Great Falls, Montana
John L. Prebil 1970 - 1975	805 5th Avenue Helena, Montana

PRINCIPAL ADMINISTRATIVE OFFICERS

Lawrence P. Nachtsheim, Administrator
Michael J. Hughes, Attorney
Milliman & Robertson, Consulting Actuaries, Seattle, Wash.

PRINCIPAL OFFICE

1712 Ninth Avenue, Helena, Montana 59601

LEGAL REFERENCES

GENERALLY

The Board of Administration of the Public Employees' Retirement System and the Department of Administration are responsible for the administration of the Public Employees' Retirement System, the Game Wardens' Retirement System, the Judges' Retirement System, the Highway Patrolmens' Retirement System and the Social Security Division which provides coverage for certain officers and employees of the State of Montana and its political subdivisions.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

The Public Employees' Retirement Act is compiled in Title 68, Chapters 15 through 25, Revised Codes of Montana, 1947.

GAME WARDENS' RETIREMENT SYSTEM

The Game Wardens' Retirement Act is compiled in Title 68, Chapter 14, Revised Codes of Montana, 1947.

JUDGES' RETIREMENT SYSTEM

The Judges' Retirement System Act is compiled in Title 93, Chapter 11, Revised Codes of Montana, 1947.

HIGHWAY PATROLMENS' RETIREMENT SYSTEM

The Highway Patrolmens' Retirement System Act is compiled in Title 31, Chapter 2, Revised Codes of Montana, 1947.

SOCIAL SECURITY

The act providing coverage of officers and employees under the Federal Social Security Act is compiled in Title 59, Chapter 11, Revised Codes of Montana, 1947.

VOLUNTEER FIREMENS' PENSION

The Volunteer Firemens' Compensation Act is compiled in Title 11, Chapter 20, Revised Codes of Montana, 1947.

ALL RETIREMENT SYSTEMS

The Executive Reorganization Act as it is effects the retirement systems is compiled in Title 82A, Chapter 2, Section 210, Revised Codes of Montana, 1947.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM
DEPARTMENT OF ADMINISTRATION

MAJOR RESPONSIBILITY

TO ADMINISTER THE VARIOUS BENEFIT PROGRAMS EFFICIENTLY AND EFFECTIVELY
TO PROVIDE ADEQUATE INFORMATION TO ALL POTENTIAL RETIREES AND SECURE
FUTURE BENEFITS THROUGH PROPER FUNDING.

MAJOR ACCOMPLISHMENTS

1. INITIATED THE DEVELOPMENT OF A COMPLETE COMPUTERIZATION OF OPERATIONS.
During the year all preliminary programming and basic implementation was completed to replace the 23,500 individual manual accounts with a computerized master file.
2. PARTICIPATED IN THE LEGISLATIVE INTERIM STUDY OF STATE AND LOCAL RETIREMENT SYSTEMS. Over 30 hours of direct contact with the select legislative committee on retirement systems resulted in more stringent funding considerations and better investment management for locally administered systems. This study also created the basis for the prospective consolidation of all law enforcement retirement systems.
3. CONDUCTED A SERIES OF INFORMATIONAL MEETINGS CONCERNING SHERIFFS' RETIREMENT SYSTEM. Prior to the implementation of the Sheriffs' Retirement System three meetings were held with approximately 40% of the "Sheriffs'" eligible for membership in the new Sheriffs' System on July 1, 1974. These meetings were supplemented by 100 estimates of benefits under P.E.R.S. and the Sheriffs' System.
4. INCREASED THE INVESTMENT EARNINGS ON SOCIAL SECURITY CONTRIBUTIONS. While higher interest rates added to the income basis more efficient reporting and collection procedures made funds available on a more timely basis with the total increase from \$236,381 in 1973 FY to \$472,969 in 1974 FY.
5. CONSOLIDATED ALL BUDGET PROGRAMMING FOR THE ADMINISTRATIVE COSTS OF ALL BENEFIT PROGRAMS. This consolidation eliminated two earmarked accounts in the Treasurer's Office, resulted in one-half the budget reporting status forms from SBAS and reduced the time for budget preparation 20%.

Dept. of Administration

Program Cost Summary

	1973	1974	INCREASE (DECREASE)
Summary By Program of Costs			
Administrative Program (1)	216,777	228,047	11,270
Public Employees' Retirement System			
Benefits	5,670,659	6,503,046	832,387
Refunds	2,975,063	3,015,656	40,593
Game Wardens' Retirement System			
Benefits	56,348	76,549	20,201
Refunds	486	3,505	3,019
Highway Patrolmen's Retirement System			
Benefits	186,829	194,099	7,270
Refunds	1,296	8,623	7,327
Judges' Retirement System			
Benefits	101,956	85,020	(16,936)
Refunds	355	152	(203)
Volunteer Firemen (2)			
Benefits (3)	14,460	--	--
Refunds (4)	8,237	--	--
Social Security			
Payments to Federal Govn't	<u>26,434,255</u>	<u>32,972,120</u>	6,537,865
Total All Programs	<u>35,644,024</u>	<u>43,109,514</u>	7,465,490
Summary By Program of Assets & Income			
	1973	1974	INCREASE (DECREASE)
P.E.R.S.			
Assets	91,118,953	104,168,526	13,049,573
Income	5,550,171	6,516,607	966,436
Yield on Investments	6.61%	6.90%	.29%
Game Wardens'			
Assets	1,130,904	1,400,496	269,592
Income	58,338	83,894	25,556
Yield on Investments	6.37%	6.86%	.49%

Highway Patrolmen's Retirement System

Assets	2,241,720	2,494,035	252,315
Income	125,289	174,465	49,176
Yield on Investments	6.50%	7.65%	1.15%

Judges' Retirement System

Assets	934,872	1,083,188	148,316
Interest Income	56,672	70,795	14,123
Yield on Investments	6.90%	7.27%	.37%

Volunteer Firemen Retirement Fund (2)

Social Security Program

Assets 6/30/74	5,945,977	7,436,318	1,490,341
Interest Income	236,381	472,969	236,588
Assets All Programs	<u>101,372,426</u>	<u>116,582,563</u>	<u>15,215,137</u>

Total Income All Programs

<u>6,026,851</u>	<u>7,327,730</u>	<u>1,300,879</u>
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Summary By Program of Membership and Claimants

P.E.R.S.	1973	1974	INCREASE (DECREASE)
Members (Active)	21,075	23,520	2,445
Members (Inactive)	4,133	3,652	(481)
Refund Claimants	5,407	5,476	69
Benefit Claimants	3,456	3,662	206

Game Wardens'

Members	93	91	(2)
Benefit Claimants	14	18	4

Highway Patrolmen's Retirement System

Members	206	220	14
Benefit Claimants	68	73	5

Judges' Retirement System

Members	31	31	0
Benefit Claimants	9	10	1

Volunteer Firemen (2)

Benefit Claimants (3)	24	--
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Social Security

Agencies Covered	749	854	105
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- (1) Includes Social Security Program and all other Systems including P.E.R.S.
- (2) P.E.R.S. handles only the distribution of benefits to members of the Volunteer Departments who are qualified as per the Workmen's Compensation Division.
- (3) 1st Payments of Benefits under the Volunteer Firemen Retirement System
- (4) As per Workmen's Compensation Division

PROGRAM ANALYSIS

RETIREMENT PROGRAM

GOAL ... Provide to the public employees and their dependents some measure of security with adequate benefit programs in the areas of death, disability and retirement.

OBJECTIVES ... Provide maximum service and information to the members at a reasonable cost.

Develop complete computerized system with a capacity to provide continuing efficiency as membership increases.

Improve funding primarily through investments in order that future benefits can be funded without additional contributions.

Strive to simplify procedures and increase efficiency in the handling of retirement applications.

EVALUATION ... Published new general benefit brochure reflecting changes in Retirement Act as of July 1, 1973.

Developed capacity in undergoing computerization program to capture central payroll report in magnetic tape form without unnecessary posting and keypunching.

Investment earnings of all systems increased due not only to increased interest rates but also more expeditious handling of current incomes.

Consolidated retirement factors used in benefit calculations from multiple step tables to single basis. Reduced needed factors from eleven tables to three.

SOCIAL SECURITY SUB PROGRAM

GOAL ... Provide social security coverage to all public employees, their dependents and survivors.

OBJECTIVES ... Establish effective on-site audit program.

Expedite collections of contributions to maximize investment income.

Continue to inform and advise reporting agencies of proper reporting of individual wages.

EVALUATION ... Extended social security coverage to eleven new employee groups.

In initial year of on-site audits completed audits of approximately 20% of reporting agencies.

Increased investments earnings 100% over previous fiscal year.

Continued daily communications with reporting agencies on individual reporting problems.